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7
8 BEFORE THE
BOARD OF ACCOUNTANCY
9 DEPARTMENT OF CONSUMER AFFAIRS
STATE OF CALIFORNIA
10

11 In the Matter of the Accusation) NO. AC-97-005
12 Against:)
13 CHARLES EDWARD REICHMAN) DEFAULT DECISION AND
69430 Fair Oaks Ln) ORDER OF THE BOARD
14 Covington, LA 70433)
15 and) [Gov. Code §11520]
16 Post Office Box 1947)
St. Francisville, Louisiana 70775)
17 Certified Public Accountant)
18 License No. CPA 18453)
19 Respondent.)

20
21 STATUTES

22 1. California Government Code section 11506 provides,
23 in pertinent part:

24 "(c) The respondent shall be entitled to a hearing on
25 the merits if he files a notice of defense, and any such
26 notice shall be deemed a specific denial of all parts of the
27

1 accusation not expressly admitted. Failure to file such
2 notice shall constitute a waiver of respondent's right to a
3 hearing...".

4 2. California Government Code section 11520 provides,
5 in pertinent part:

6 "(a) If the respondent either fails to file a notice of
7 defense or to appear at the hearing, the agency may take
8 action based upon the respondent's express admissions or
9 upon other evidence and affidavits may be used as evidence
10 without any notice to respondent ...".

11 3. The Board of Accountancy, Department of Consumer
12 Affairs ("Board"), is authorized to revoke Respondent's Certified
13 Public Accountant License pursuant to section 5100 of the
14 California Business and Professions Code ("Code"), which, at all
15 times material herein, has provided in pertinent part that "the
16 Board may revoke, suspend or refuse to renew any permit or
17 certificate" issued by the Board for unprofessional conduct,
18 including but not limited to:

19 (a) a conviction which is substantially related to the
20 qualifications, functions, and duties of a CPA;

21 (d) the "(c)ancellation, revocation or suspension of a
22 certificate...to practice as a certified public
23 accountant...by any other state";

24 (h) fiscal dishonesty or breach of fiduciary responsibility
25 of any kind;

26 (j) embezzlement, theft, misappropriation of funds or
27 property, or obtaining money, property, or other valuable

1 consideration by fraudulent means or false pretenses.

2 4. Code section 5107 provides, in part, that the
3 Board may request the administrative law judge, as part of the
4 proposed decision in a disciplinary proceeding, to direct any
5 holder of a permit or certificate found in violation of Code
6 section 5100(a), (b), (c), (h), (i) or (j), to pay to the Board
7 all reasonable costs of investigation and prosecution of the
8 case, including, but not limited to, attorney's fees. A
9 certified copy of the actual costs, or a good faith estimate of
10 costs signed by the Executive Officer, constitute prima facie
11 evidence of reasonable costs of investigation and prosecution of
12 the case.

13 FINDINGS OF FACT

14 5. On or about January 26, 1973, Certified Public
15 Accountant Certificate No. CPA 18453 was issued by the Board to
16 Charles Edward Reichman ("Respondent"), and at all times relevant
17 herein, said Certified Public Accountant Certificate was, and
18 currently is renewed through January 31, 1998. However, the
19 certificate is renewed in an inactive status in the absence of
20 the completion of continuing education required for renewal in an
21 active status. (Exhibit 1)

22 6. On or about May 6, 1997, Complainant Carol B.
23 Sigmann, in her official capacity as Executive Officer of the
24 Board, filed Accusation No. AC-97-005 against Respondent. A copy
25 of the Accusation is attached hereto as Annex A and incorporated
26 herein (Exhibit 2).

27 7. On or about May 13, 1997, Patricia A. Mota, an

1 employee of the Office of the Attorney General, sent by certified
2 mail and first class mail copies of Accusation No. AC-97-005,
3 Statement to Respondent, Government Code sections 11507.5,
4 11507.6, and 11507.7, the Notice of Defense form, and a Request
5 for Discovery, to Respondent's address of record with the Board
6 which was and is P. O. Box 1947, St. Francisville, LA 70775 as
7 well as to other addresses known to the Board (#02708-095, P. O.
8 Box 5010, Hopedale, Louisiana 71463). The certified packages and
9 one of the first class packages were returned to the Office of
10 the Attorney General undelivered. (Exhibit 2)

11 8. Respondent forwarded by fax a statement dated June
12 7, 1997, requesting a hearing "to be in the form of my response
13 to you and other communications we will have between us" and
14 filed a Notice of Defense requesting a hearing (Exhibit 3). He
15 filed a temporary mailing address with the Board of 69430 Fair
16 Oaks Ln, Covington, LA 70433, and confirmed the permanent address
17 of record set forth in the preceding paragraph (Exhibit 3).

18 9. Respondent was notified of the hearing set on July
19 21, 1997, in accordance with the applicable provisions of the
20 Government Code (Exhibit 2). Respondent's non-appearance at the
21 hearing was noted for the record by Administrative Law Judge Ruth
22 Astle, who also confirmed that the Board had met the procedural
23 requirements for a default proceeding. Respondent submitted
24 written materials by fax for consideration by the Board in a
25 default proceeding (Exhibit 3).

26 10. Pursuant to its authority under Government Code
27 section 11520, and based on the evidence before it, the Board

1 finds that the following allegations contained in Accusation No.
2 AC-97-15 are true:

3 a. On or about January 23, 1996, in the United States
4 District Court for the Middle District of Louisiana, in United
5 States of America v. Charles E. Reichman, Case No. 3:95CR00084-
6 001, judgment was entered pursuant to Respondent's guilty plea to
7 one count of mail fraud (18 U.S.C. § 1341) and one count of
8 filing false statements on an income tax return (26 U.S.C. §
9 7206(I)) (Exhibit 4).

10 The offenses occurred in 1994. Respondent was ordered
11 to make \$21,489.34 in restitution; pay a \$5,000 fine and pay a
12 \$100 court assessment. The circumstances relating to count one,
13 mail fraud, are that respondent was, at the time of the offenses,
14 a financial officer for the Louisiana Department of Insurance,
15 responsible for the investment of monies controlled by the Office
16 of Receivership. From in or about April 1993 to in or about
17 February 1994, contractors with the Louisiana Department of
18 Insurance, Office of Receivership, would submit invoices through
19 the United States Postal Service for payment for the services
20 they provided to the Office of Receivership. After the receipt
21 of invoices from a certain contractor, Respondent caused the
22 contractor to make payments totaling approximately \$87,100 to or
23 for the Respondent's benefit. The circumstances relating to
24 count two, false income tax filing, are as follows: Respondent,
25 from in or about April 1993 through in or about December 1993,
26 received income of approximately \$74,600 from a contractor with
27 the Louisiana Department of Insurance, Office of Receivership,

1 which income he failed to report on his Individual Income Tax
2 Return, Form 1040 for the calendar year 1993, filed on or about
3 August 1994 (Exhibit 4).

4 11. The State of Louisiana voided Respondent's
5 Louisiana CPA certified public accountant certificate and/or
6 denied his application for same because of Respondent's failure
7 to execute and return the oath of the certified public accountant
8 and because of his guilty plea and conviction (Exhibit 4).

9 12. The Board's reasonable costs of investigation and
10 prosecution of this matter, up to the time of the commencement of
11 the hearing, are \$ 2,791.23 (Exhibit 5).

12
13 DETERMINATION OF ISSUES

14 1. Service of the Accusation and the Notice of
15 Hearing were effective as a matter of law pursuant to the
16 provisions of California Government Code section 11505 and Code
17 section 124.

18 2. The crimes and acts referenced in Findings of Fact
19 number 10 constitute crimes or acts substantially related to the
20 qualifications, functions, or duties of a CPA pursuant to Board
21 Rule 99, and evidence, to a substantial degree, Respondent's
22 present or potential unfitness to perform the functions
23 authorized by the licensee's certificate or permit in a manner
24 consistent with the public health, safety, or welfare.

25 3. Respondent's certificate is subject to discipline
26 for unprofessional conduct in violation of Code section 5100(a),
27 in that his conduct constitutes a conviction substantially

1 related to the qualifications, duties and functions of a CPA,
2 by reason of the Findings of Fact number 10, above, and cause for
3 revocation has been established based upon those findings of
4 fact.

5 4. Respondent's certificate is subject to discipline
6 for unprofessional conduct in violation of Code section 5100(h)
7 for his fiscal dishonesty in violation of Code section 5100(h).
8 by reason of the Findings of Fact number 10, above, and cause
9 for revocation has been established based upon those findings of
10 fact.

11 5. Respondent's certificate is subject to discipline
12 for unprofessional conduct in violation of Code section 5100(h)
13 for his breach of fiduciary responsibility, by reason of the
14 Findings of Fact number 10, above, and cause for revocation has
15 been established based upon those findings of fact.

16 6. Respondent's certificate is subject to discipline
17 for unprofessional conduct in violation of Code section 5100(j),
18 for his embezzlement, theft, misappropriation of funds or
19 property, and/or obtaining money, property, or other valuable
20 consideration by fraudulent means or false pretenses, by reason
21 of the Findings of Fact number 10, above, and cause for
22 revocation has been established based upon those findings of
23 fact.

24 7. Respondent's certificate is subject to discipline
25 for unprofessional conduct in violation of Code section 5100(d)
26 in that his authority to practice in Louisiana was voided which
27 constitutes discipline of licensure by another state within the

1 meaning of Code section 5100(d), and cause for revocation has
2 been established by reason of Finding of Fact number 11.

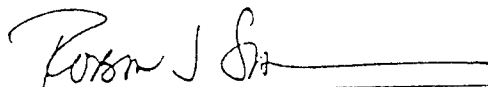
3 8. The materials submitted by Respondent in Exhibit 3
4 have been considered by the Board in making its determination to
5 imposed the penalty of revocation upon Respondent's license.

6
7 ORDER OF THE BOARD OF ACCOUNTANCY

8 Certified Public Accountant License number CPA 18453,
9 heretofore issued to respondent Charles Edward Reichman, is
10 hereby revoked. An effective date of October 25th,
11 1997, has been assigned to this Order.

12 Pursuant to California Government Code section 11520,
13 subdivision (b), respondent is entitled to make any showing by
14 way of mitigation; however, such showing must be made in writing
15 to the Board of Accountancy, 2000 Evergreen Street, Suite 250,
16 Sacramento, California 95815, prior to the effective date of this
17 decision.

18 Made this 25th day of September, 1997.

19
20 

21 ROBERT J. SHACKLETON
22 Board President
23 For The Board of Accountancy

24 C:\wp51acct\def\reichman.def
(8/05/97)

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Attorneys for Complainant

BEFORE THE
BOARD OF ACCOUNTANCY
DEPARTMENT OF CONSUMER AFFAIRS
STATE OF CALIFORNIA

| | | |
|-----------------------------------|---|---------------|
| In the Matter of the Accusation |) | NO. AC-97-005 |
| Against: |) | |
| CHARLES EDWARD REICHMAN |) | ACCUSATION |
| #02708-095 |) | |
| P. O. Box 5010 |) | |
| Hopedale, Louisiana 71463 |) | |
| and |) | |
| Post Office Box 1947 |) | |
| St. Francisville, Louisiana 70775 |) | |
| Certified Public Accountant |) | |
| Certificate No. CPA 18453 |) | |
| Respondent. |) | |

Complainant Carol B. Sigmann, as cause for disciplinary
action, alleges:

1. Complainant is the Executive Officer of the
California Board of Accountancy ("Board") and makes and files
this accusation solely in her official capacity.

LICENSE INFORMATION

2. On or about January 26, 1973, Certified Public

1 Accountant Certificate No. CPA 18453 was issued by the Board to
2 Charles Edward Reichman ("Respondent"), and at all times relevant
3 herein, said Certified Public Accountant Certificate was, and
4 currently is renewed through January 31, 1998. However, the
5 certificate is renewed in an inactive status in the absence of
6 the completion of continuing education required for renewal in an
7 active status.

8 STATUTES AND REGULATIONS

9 3. This accusation is brought under the authority of
10 section 5100 of the Business and Professions Code (hereinafter
11 "Code") which provides that the Board may revoke, suspend or
12 refuse to renew any permit or certificate issued by the Board, or
13 may censure the holder of any such permit or certificate for
14 unprofessional conduct, including any of the causes therein.

15 4. Code section 5100(a) at all relevant times
16 provided and now provides, in pertinent part, that a licensee's
17 certificate may be revoked if the licensee is convicted of any
18 crime substantially related to the qualifications, functions, and
19 duties of a CPA.

20 5. Code section 5100(d) provides in relevant part
21 that the "(c)ancellation, revocation or suspension of a
22 certificate...to practice as a certified public accountant...by
23 any other state" is grounds for discipline.

24 6. Code section 5100(h) at all relevant times
25 provided and now provides that a licensee's certificate may be
26 revoked for fiscal dishonesty or breach of fiduciary
27 responsibility of any kind.

1 7. Code section 5100(j) at all relevant times
2 provided and now provides, in pertinent part, that embezzlement,
3 theft, misappropriation of funds or property, or obtaining money,
4 property, or other valuable consideration by fraudulent means or
5 false pretenses constitutes unprofessional conduct.

6 8. The Board's regulations, codified in Title 16 of
7 the California Code of Regulations, provide in section 99^{1/}, that
8 a crime or act shall be considered to be substantially related to
9 the qualifications, functions, or duties of a CPA if, to a
10 substantial degree, it evidences present or potential unfitness
11 to perform the functions authorized by the licensee's certificate
12 or permit in a manner consistent with the public health, safety,
13 or welfare. Board Rule 99 further provides that such crimes or
14 acts include, but are not limited to, those involving the
15 following: (a) fiscal dishonesty or breach of fiduciary
16 responsibility of any kind; and (c) dishonesty, fraud, or gross
17 negligence in the practice of public accountancy.

18 9. Code section 5107 provides, in part, that the
19 Board may request the administrative law judge, as part of the
20 proposed decision in a disciplinary proceeding, to direct any
21 holder of a permit or certificate found in violation of Code
22 section 5100(a), (b), (c), (h), (i) or (j), to pay to the Board
23 all reasonable costs of investigation and prosecution of the
24 case, including, but not limited to, attorney's fees. A
25 certified copy of the actual costs, or a good faith estimate of

26
27 1. The Board's regulations, codified at Title 16 of the
California Code of Regulations in sections 1-99, are hereinafter
referred to as "Board Rule." Thus, section 99 is Board Rule 99.

1 costs signed by the Executive Officer, constitute prima facie
2 evidence of reasonable costs of investigation and prosecution of
3 the case.

4 FOR CAUSES FOR DISCIPLINE

5 10. Respondent is subject to disciplinary action
6 pursuant to Code section 5100(a) in that, on or about January 23,
7 1996, in the United States District Court for the Middle District
8 of Louisiana, in *United States of America v. Charles E. Reichman*,
9 Case No. 3:95CR00084-001, judgment was entered pursuant to
10 Respondent's guilty plea to one count of mail fraud (18 U.S.C. §
11 1341) and one count of filing false statements on an income tax
12 return (26 U.S.C. § 7206(I)). The offenses occurred in 1994.
13 Respondent was ordered to make \$21,489.34 in restitution; pay a
14 \$5,000 fine and pay a \$100 court assessment.

15 11. Incorporating the matters set forth in paragraph
16 10, the circumstances relating to count one, mail fraud, are as
17 follows: Respondent was, at the time of the offenses, a
18 financial officer for the Louisiana Department of Insurance,
19 responsible for the investment of monies controlled by the Office
20 of Receivership. From in or about April 1993 to in or about
21 February 1994, contractors with the Louisiana Department of
22 Insurance, Office of Receivership, would submit invoices through
23 the United States Postal Service for payment for the services
24 they provided to the Office of Receivership. After the receipt
25 of invoices from a certain contractor, Respondent caused the
26 contractor to make payments totaling approximately \$87,100 to or
27 for the Respondent's benefit.

1 12. Incorporating the matters set forth in paragraphs
2 10 and 11, the circumstances relating to count two, false income
3 tax filing, are as follows: Respondent, from in or about April
4 1993 through in or about December 1993, received income of
5 approximately \$74,600 from a contractor with the Louisiana
6 Department of Insurance, Office of Receivership, which income he
7 failed to report on his Individual Income Tax Return, Form 1040
8 for the calendar year 1993, filed on or about August 1994.

9 13. Incorporating by reference the matters set forth
10 in paragraphs 10 through 12 above, Respondent's California
11 Certified Public Accountant Certificate is subject to discipline
12 under each of the following provisions of the Code and for all of
13 them:

14 a. The conduct constitutes a conviction substantially
15 related to the qualifications, duties and functions of a CPA in
16 violation of Code section 5100(a).

17 b. The conduct constitutes fiscal dishonesty in
18 violation of Code section 5100(h).

19 c. The conduct constitutes breach of fiduciary
20 responsibility in violation of Code section 5100(h).

21 d. The conduct constitutes embezzlement, theft,
22 misappropriation of funds or property, and/or obtaining money,
23 property, or other valuable consideration by fraudulent means or
24 false pretenses in violation of Code section 5100(j).

25 14. Cause for discipline of Respondent's certificate
26 exists under Code section 5100(d) in that the State of Louisiana
27 voided Respondent's Louisiana CPA certificate because of

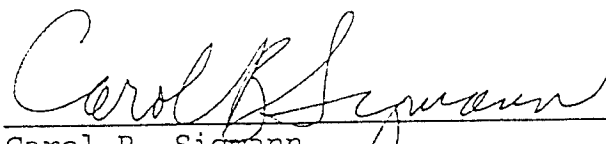
1 Respondent's failure to execute and return the oath of the
2 certified public accountant and because of his guilty plea and
3 conviction.

4 PRAYER

5 WHEREFORE, complainant requests that the Board hold a
6 hearing on the matters alleged herein, and that following said
7 hearing, the Board issue a decision:

- 8 1. Revoking or suspending Certified Public Accountant
9 Certificate No. CPA 18453, heretofore issued to
10 Respondent Charles Edward Reichman;
- 11 2. Awarding the Board costs as provided by statute;
12 and
- 13 3. Taking such other and further action as the Board
14 deems proper.

15 DATED: May 6, 1997

17 
18 Carol B. Sigmann
19 Executive Officer
20 Board of Accountancy
21 Department of Consumer Affairs
22 State of California

23 Complainant

24 JCW:pam
25 C:\JEANNE\REICHMAN.ACC
26 (4/29/97)